Opening Statement of the Honorable Ed Whitfield
Subcommittee on Energy and Power
Hearing on "The American Energy Initiative: A Focus on Rising Gasoline Prices"
March 7, 2012

Today's hearing, another installment of the "American Energy Initiative," allows us to discuss the topic of rising gasoline prices.

Pump prices have risen sharply over the past three months from $3.35 a gallon the week of December 5 to $3.85 a gallon this week.

High gasoline prices hit the pocketbook of every business, family, and consumer. To make matters worse, with an economy struggling to create jobs and new income, rising gas prices equate to a tax on everyone.

The latest surge offers an opportunity to take a look at what is happening in oil and gasoline markets as well as what the federal government can do to help moderate high prices.

With every gas price spike comes some very familiar calls from policymakers. Some argue for increased domestic drilling, some say we should release oil from the Strategic Petroleum Reserve. Others lay the blame for high prices on Wall Street and the oil companies.

Before we discuss the merits of these causes and solutions, let's start with the facts. First, Iran has threatened to block the Strait of Hormuz – a narrow channel in the Middle East through which a third of the world's waterborne crude oil passes every single day. As a result, a geopolitical risk premium is being priced into every barrel of oil. Until the situation with Iran is resolved, and hopefully that is soon, we will see above-average oil and gasoline prices.

Second, in addition to geopolitical tensions and their effect on oil prices, fundamental supply and demand is creating an environment of high prices. There is large demand growth from China, India, the Middle East, and Brazil. At the same time, current supplies are not growing at rate that can keep up with surging demand from these economies. That is why countries like Brazil and China are moving forward with aggressive oil production plans at home and abroad.

Third, North America's oil market has undergone a dramatic transformation over the past five years. We are now producing over 500,000 barrels per day in North Dakota. In 2005, that number was below 100,000. In Texas, oil production has increased 50 percent in just four years. Like the natural gas revolution, North America is now experiencing its own oil boom.

Oil production is surging in this country in no thanks to the Obama administration. All the new volumes coming online are happening on private- and state-owned lands. Production is declining at an alarming rate on federal lands and waters. There is a lot more that can be done if the federal government would simply get out of the way.

With this development in mind, it is important to examine what President Obama says about oil production in this country. The president has proclaimed we have only two percent of the world's proven oil reserves and we can't drill our way to energy security. But if you know what a proven oil reserve is, you would realize America's energy potential is nearly unlimited.

A proven oil reserve is a figure that is obtained by an oil producer once they have fully explored and developed an oil field. Using the president's definition, the U.S. has 28.4 billion barrels of oil. That equates to two percent of the world's oil. But if you look at all the untapped resources, the U.S. holds trillions of barrels of oil. The Obama administration says we have only two percent of the world's oil because that's all they will let us have.

Today we have the opportunity to examine these facts and their impact on prices at the pump. We hope to gain a better understanding of how energy production and consumption in this country can be improved to help insulate ourselves from supply disruptions halfway around the world.

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